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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



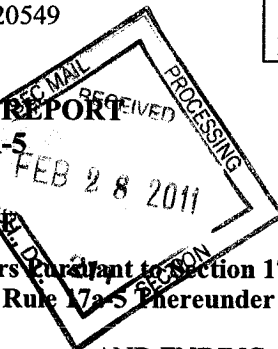
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ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

FACING PAGE



OMB APPROVAL

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Information Required of Brokers and Dealers pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/10 AND ENDING 12/31/10
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

Taconic Capital Group, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

911 Seventh Avenue

(No. and Street)

New York

(City)

New York

(State)

10019

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Edward W. Davis Jr., President

(212) 488-5509

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

VB&T Certified Public Accountants, PLLC

(Name - if individual, state last, first, middle name)

250 West 57TH Street, Suite 1632

(Address)

New York

(City)

New York

(State)

10107

(Zip Code)

CHECK ONE:

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Certified Public Accountant

☐

Public Accountant

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Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

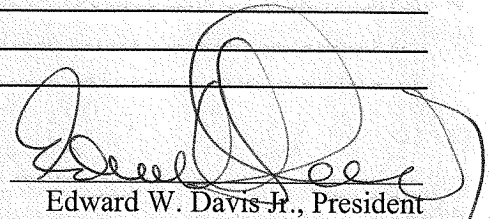
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Edward W. Davis Jr., President, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Taconic Capital Group, Inc., (Company), as of December 31, 2010, are true and correct. I further swear (or affirm) that neither the Company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Edward W. Davis Jr., President

Sworn and subscribed to before me this 14th day of February, 20 11. William R. Lee III

This report contains (check all applicable boxes):

	Page
<input checked="" type="checkbox"/> Report of Independent Registered Public Accounting Firm	1
<input checked="" type="checkbox"/> (a) Facing page.	
<input checked="" type="checkbox"/> (b) Balance Sheet.	2
<input checked="" type="checkbox"/> (c) Statement of Operations.	3
<input checked="" type="checkbox"/> (d) Statement of Cash Flows.	4
<input checked="" type="checkbox"/> (e) Statement of Changes in Stockholder's Equity.	5
<input type="checkbox"/> (f) Statement of Changes in Subordinated Liabilities (not applicable).	
<input checked="" type="checkbox"/> Notes to Financial Statements.	6 - 7
<input checked="" type="checkbox"/> (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.	8
<input type="checkbox"/> (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.	
<input type="checkbox"/> (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934 (not applicable).	
<input type="checkbox"/> (j) A Reconciliation, including Appropriate Explanations, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Rule 15c3-3 (not required).	
<input type="checkbox"/> (k) A Reconciliation Between the Audited and Unaudited Consolidated Statements of Financial Condition With Respect to Methods of Consolidation (not applicable).	
<input checked="" type="checkbox"/> (l) An Affirmation.	
<input type="checkbox"/> (m) A Copy of the SIPC Supplemental Report (not required).	
<input checked="" type="checkbox"/> (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Supplemental Report on Internal Control).	9 - 10

WILLIAM R. LEE III
Notary Public, State of New York
Qualified in Nassau County
Reg. No. 01166210034
My Commission Expires 08-10-2013



Certified Public Accountants, PLLC

250 W57th Street
Suite 1632
New York, NY 10107
T:1.212.448.0010
F:1.888.99.PCAOB (72262)

E-mail:
fvb@getcpa.com
rtse@getcpa.com
info@getcpa.com
www.getcpa.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and Director of
Taconic Capital Group, Inc.

We have audited the accompanying balance sheet of Taconic Capital Group, Inc., as of December 31, 2010 and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taconic Capital Group, Inc. at December 31, 2010, and the results of its operations, changes in stockholder's equity, and cash flows for the year then ended in conformity with U.S. generally accepted accounting principals.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VB&T CERTIFIED PUBLIC ACCOUNTANTS, PLLC

New York, NY
February 11, 2011

Registered with the Public Company Accounting Oversight Board
Member of the American Institute of Certified Public Accountants

TACONIC CAPITAL GROUP, INC.
BALANCE SHEET
DECEMBER 31, 2010

ASSETS

Cash	\$ 8,204
Total Assets	<u>\$ 8,204</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:

Accounts payable and accrued expenses	<u>\$ 2,000</u>
Total Liabilities	<u>2,000</u>

Contingencies	-
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Stockholder's Equity:

Common stock - no par value	
100 shares authorized, issued and outstanding	100
Additional paid-in capital	19,662
Accumulated deficit	<u>(13,558)</u>
Total Stockholder's Equity	<u>6,204</u>
Total Liabilities and Stockholder's Equity	<u>\$ 8,204</u>

See Independent Accountants' Report and Accompanying Notes

TACONIC CAPITAL GROUP, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

Revenues:	
Fee income	<u>\$ 34,667</u>
Total Revenues	<u>34,667</u>
Costs and Expenses:	
Occupancy expense	14,150
Commission expense	19,600
Other operating expenses	3,022
Regulatory fees	562
Professional fees	<u>2,000</u>
Total Costs and Expenses	<u>39,334</u>
Net (Loss)	<u>\$ (4,667)</u>

See Independent Accountants' Report and Accompanying Notes

TACONIC CAPITAL GROUP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

Cash Flows From Operating Activities:	
Net (Loss)	\$ <u>(4,667)</u>
Adjustment to reconcile net (loss) to net cash (used) by operating activities:	<u>-</u>
Net cash (used) by operating activities	<u>(4,667)</u>
Cash flows from investing activities:	
Stockholder contributions	<u>3,000</u>
Net cash provided by investing activities	<u>3,000</u>
Cash flows from financing activities:	
None	<u>-</u>
Net (decrease) in cash	(1,667)
Cash at beginning of year	<u>9,871</u>
Cash at end of year	\$ <u><u>8,204</u></u>

See Independent Accountants' Report and Accompanying Notes

TACONIC CAPITAL GROUP, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated (deficit)</u>	<u>Total Stockholder's Equity</u>
Balances, January 1, 2010	\$ 100	\$ 16,662	\$ (8,891)	\$ 7,871
Shareholder contribution		3,000		3,000
Net (loss) for the year	<u> </u>	<u> </u>	<u>(4,667)</u>	<u>(4,667)</u>
Balances, December 31, 2010	<u>\$ 100</u>	<u>\$ 19,662</u>	<u>\$ (13,558)</u>	<u>\$ 6,204</u>

TACONIC CAPITAL GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

1. ORGANIZATION AND NATURE OF BUSINESS

Taconic Capital Group Inc. was formed on May 16, 2003 in the State of New York as a broker-dealer in securities transactions under the Securities Exchange Act of 1934. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation.

The Company acts as a broker-dealer and is exempt from Securities and Exchange Commission Rule 15c3-3 under paragraph (k)(1). The Company will not hold customer funds or safekeep customer securities.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. NET CAPITAL REQUIREMENTS

The Company is a member of the FINRA and subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital of \$5,000, and requires the ratio of aggregate indebtedness to net capital, both as defined, not to exceed 15 to 1. At December 31, 2010 the Company had net capital of \$6,204, which was \$1,204 in excess of the amount required.

4. INCOME TAXES

The Company's shareholders have elected S Corporation status. In lieu of Federal and State corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. The Company is subject to New York City General Corporation Tax.

TACONIC CAPITAL GROUP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

5. RELATED PARTY TRANSACTIONS

The Company has an agreement with North River Capital, LLC, a related party, for use of office space, telephones and internet. The current agreement became effective in July 2010 and either party may terminate the agreement at any time. Under this agreement, the Company paid \$14,150 to North River Capital, LLC in 2010.

6. CONCENTRATIONS

One customer provided 100% of the total income to the Company in 2010.

7. CONTINGENCIES

In the normal course of business, the Company is engaged in various trading and brokerage activities on a principal and agency basis through a clearing broker. In connection with these activities, a customer's unsettled transactions may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contractual obligations. Significant credit exposure may result in the event that the Company's clearing broker is unable to fulfill their contractual obligation. The Company seeks to control its credit risk through a variety of reporting and control procedures. The company has historically maintained credit policies which are more stringent than regulatory guidelines.

TACONIC CAPITAL GROUP, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2010

NET CAPITAL:

Total stockholder's equity	\$ 6,204
Deductions and/or charges:	
Non-allowable assets:	<u>-</u>
Net capital before haircuts on securities positions	<u>6,204</u>
Haircuts on securities positions	<u>-</u>
Undue concentration	<u>-</u>
Net Capital	<u><u>\$ 6,204</u></u>

AGGREGATE INDEBTEDNESS:

Items included in the statement of financial condition:	
Accounts payable and accrued expenses	<u><u>\$ 2,000</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:

Minimum net capital required (6-2/3% of aggregate indebtedness)	<u>\$ 133</u>
Minimum net capital required	<u><u>\$ 5,000</u></u>
Excess net capital	<u><u>\$ 1,204</u></u>
Net capital less greater of 10% of total AI or 120% of minimum net capital	<u><u>\$ 204</u></u>
Percentage of aggregate indebtedness to net capital is	<u>32%</u>

The above computation agrees with the December 31, 2010 computation of net capital filed electronically by the company on FOCUS Form X-17A-5 Part IIA.

VB&T

Certified Public Accountants, PLLC

250 W57th Street
Suite 1632
New York, NY 10107
T:1.212.448.0010
F:1.888.99.PCAOB (72262)

E-mail:
fvb@getcpa.com
rtse@getcpa.com
info@getcpa.com
www.getcpa.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

To the Board of Directors of
Taconic Capital Group, Inc.

In planning and performing our audit of the financial statements and supplementary information of Taconic Capital Group, Inc. (the "Company") for the year ended December 31, 2010, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (the "Commission"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following: 1) Making quarterly securities examinations, counts, verifications and comparisons; 2) Recordation of differences required by Rule 17a-13, or, 3) Complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

**Registered with the Public Company Accounting Oversight Board
Member of the American Institute of Certified Public Accountants**

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2010, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA), and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

VB&T CERTIFIED PUBLIC ACCOUNTANTS, PLLC

New York, NY
February 11, 2011

**Registered with the Public Company Accounting Oversight Board
Member of the American Institute of Certified Public Accountants**

TACONIC CAPITAL GROUP, INC.
(SEC I.D. No. 8-66049)

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE**

FOR THE YEAR ENDED DECEMBER 31, 2010

AND

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

AND

SUPPLEMENTAL REPORT ON INTERNAL CONTROL